

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of the Village of Clarkston	County Oakland
Audit Date June 30, 2004	Opinion Date June 22, 2005	Date Accountant Report Submitted to State: November 22, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes and the text of comments and recommendations.

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

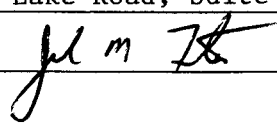
Certified Public Accountant (Firm Name) Janz & Knight, PLC			
Street Address 300 East Long Lake Road, Suite 360	City Bloomfield Hills	State MI	ZIP 48304-2377
Accountant Signature 		Date 11/22/05	

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JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

300 EAST LONG LAKE ROAD, SUITE 360
BLOOMFIELD HILLS, MICHIGAN 48304-2377

FREDERICK C. JANZ
ROBERT I. KNIGHT
KENNETH E. ZINK
JOHN M. FOSTER

JOHN W. MACKAY
MICHAEL V. HIGGINS
JOHN E. MIELKE, JR.
DAWN M. LENGERS
MATTHEW S. PEARCE
JOSHUA J. LYNN
R. JOSHUA GIRTH

TELEPHONE (248) 646-9666

FACSIMILE (248) 646-3857

50
YEARS
1954-2004

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Council
City of the Village of Clarkston, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Clarkston, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of the Village of Clarkston, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Clarkston, Michigan, as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of the Village of Clarkston, Michigan basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

Bloomfield Hills, Michigan

June 22, 2005

June 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of the Village of Clarkston's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$3,683,280 at the close of the year ended June 30, 2004. This represents an increase of \$396,713 or a 12% increase from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities net assets increased \$416,074. This increase was primarily the result of assets being capitalized that will be expensed as depreciation over their useful lives and principal paid on long term debt. The business-type activity had a decrease of \$(19,361) in net assets. A large part of this decrease was from depreciation of sewer capital assets.

Since this is the first year the City has presented government-wide financial statements, comparisons to the prior year have not been presented. In future years, when prior year information is available, a comparative analysis of government-wide data will be included.

The following table reflects the condensed Statement of Net Assets for the year ended June 30, 2004:

Table 1
Statement of Net Assets

	Governmental Activities	Business-Type Activity	Total
ASSETS			
Current and other assets	\$ 2,121,303	\$ 175,928	\$2,297,231
Capital assets	<u>6,119,399</u>	<u>311,737</u>	<u>6,431,136</u>
Total assets	<u>\$ 8,240,702</u>	<u>\$ 487,665</u>	<u>\$8,728,367</u>
LIABILITIES AND NET ASSETS			
Current and other liabilities	\$ 317,209	\$ (15,989)	\$ 301,220
Long term debt outstanding	<u>4,743,867</u>		<u>4,743,867</u>
Total liabilities	<u>\$ 5,061,076</u>	<u>\$ (15,989)</u>	<u>\$5,045,087</u>
Net assets:			
Invested in capital assets, net of related debt	1,375,532	311,737	1,687,269
Restricted	1,728,594		1,728,594
Unrestricted	<u>75,500</u>	<u>191,917</u>	<u>267,417</u>
Total net assets	<u>\$ 3,179,626</u>	<u>\$ 503,654</u>	<u>\$3,683,280</u>
Total liabilities and net assets	<u>\$ 8,240,702</u>	<u>\$ 487,665</u>	<u>\$8,728,367</u>

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

June 30, 2004

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled \$1,728,594. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the year ended June 30, 2004:

Table 2
Changes in Net Assets

	Governmental Activities	Business-Type Activity	Total
Program Revenue:			
Charges for services	\$ 91,548	\$ 103,118	\$ 194,666
Operating grants and contributions	76,483		76,483
Capital grants and contributions	290,050		290,050
General Revenue:			
Property taxes	756,105		756,105
State shared revenue	85,487		85,487
Interest income	90,573	2,878	93,451
Franchise fees	9,432		9,432
Sale of fixed assets	10,029		10,029
Miscellaneous	31,338		31,338
Total revenue	\$ 1,441,045	\$ 105,996	\$1,547,041
Program Expenses:			
General government	199,889		199,889
Public safety	420,153		420,153
Public works	143,749		143,749
Community and economic development	440		440
Recreation and culture	38,274		38,274
Interest on long term debt	222,466		222,466
Sewer		125,357	125,357
Total program expenses	\$ 1,024,971	\$ 125,357	\$1,150,328
Increase (decrease) in net assets	\$ 416,074	\$ (19,361)	\$ 396,713
Net assets - July 1, 2003	2,763,552	523,015	3,286,567
Net assets - June 30, 2004	\$ 3,179,626	\$ 503,654	\$3,683,280

As shown in the above table total revenues were approximately \$1.55 million, of which 49% was obtained from property taxes, 13% for fees charged for services and 6% for state shared revenues. Total expenses were approximately \$1.15 million, of which 37% was for public safety, 12% for public works and 11% for sewer.

Business Type Activities

The City's business-type activity consists of the Sewer Fund. The City provides sewer service to the entire City.

The City Funds

The analysis of the City's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2004 include the General Fund, Major Road Fund, Local Road Fund, Water Debt Fund, SAD 1, 2 and 4 2002 Bond Retirement Fund, SAD 3 2003 Bond Retirement Fund, SAD 1, 2 and 4 Construction Fund, and 2003 Special Assessment Construction Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$787,000. Of this revenue, 71% was from property taxes, and 11% was from state shared revenues. Total expenditures for the year were approximately \$807,000. Of these expenditures, 49% was for public safety, 18% was for public works, and 23% was for general government. At June 30, 2004 the unreserved fund balance of \$35,009 represented 4% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2004 was \$6.

June 30, 2004

The City Funds (continued)

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2004 was \$37.

The Water Debt Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2004 was \$48,345.

The SAD 1, 2 and 4 2002 Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2004 was \$181,928.

The SAD 3 2003 Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2004 was \$167,288.

The SAD 1, 2 and 4 2004 Construction Fund is a capital project fund used to account for financial resources such as proceeds of bond issues and other revenue necessary for the purpose of constructing the City's water system. Construction and related costs incurred during the year ended June 30, 2004 was \$944,275. The fund balance of this fund at June 30, 2004 was \$282.

The 2003 Special Assessment Construction Fund is a capital project fund used to account for financial resources such as proceeds of bond issues and other revenue necessary for the purpose of constructing the City's water system. Construction and related costs incurred during the year ended June 30, 2004 was \$758,352. The fund balance of this fund at June 30, 2004 was \$290.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. Building permit revenue and related expenditures were amended to reflect additional activity during the year. Community Development Block Grant revenue and expenditures were amended to reflect additional activity. State revenue sharing was amended to reflect reduced distributions from the State of Michigan. Fines and forfeitures revenue was amended to reflect additional collections. City Hall and police wages were amended to reflect additional costs.

Capital outlay expenditures were \$108,344 above budgeted amounts. This was primarily the result of the City acquiring a wheel loader during the year at a cost of \$108,867. This amount was not budgeted because required payments on this purchase begin during the year ended June 30, 2005. Most other departments were in line with budgeted amounts. Actual revenues exceeded budgeted amount by \$45,818.

Capital Asset and Debt Administration

At the end of June 30, 2004, the City had \$6,431,136 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and sewer and water lines.

Major expenditures for capital assets during the year included the following:

1. Wheel Loader - \$108,867
2. Water system and repaving roads - \$1,706,831.

Long-Term Debt

The City's total indebtedness at June 30, 2004 was \$4,743,867. During the year the City borrowed \$108,867 to finance the purchase of a wheel loader. The City maintains an "AA" rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note G.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

June 30, 2004

Economic Factors and Next Year's Budgets and Rates

The City's 2005 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2005 are as follows:

	2005 Mills Levied	2004 Mills Levied
General operations	13.3633	13.5147
Debt service	4.7079	4.8894

Property tax revenues are expected to increase slightly. This is the result of expected increases in taxable value within the City. Other revenues are expected to be consistent with the prior year amounts.

Expenditures

Highway and street expenses are expected to increase to reflect the scheduled wheel loader payment of \$24,066.

The 2005 General Fund budget expects a surplus of approximately \$15,200. The projected General Fund's fund balance at June 30, 2005 is approximately \$80,000 which represents approximately 11% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the City Office, at the City of the Village of Clarkston, 375 Depot Road, Clarkston, Michigan 48346.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2004

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 577,254	\$ 135,093	\$ 712,347
Receivables:			
Taxes	7,186		7,186
Customers		16,350	16,350
Interest	5		5
Special assessments	1,377,067	24,241	1,401,308
Agency funds	211		211
Other	60,560		60,560
Due from other governments	72,622		72,622
Prepaid expenses	26,398	244	26,642
Capital assets, net	314,575	311,737	626,312
Construction in progress	5,804,824		5,804,824
Total assets	\$ 8,240,702	\$ 487,665	\$ 8,728,367
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable and other liabilities	\$ 117,196	\$ 21,740	\$ 138,936
Accrued wages	8,121		8,121
Accrued interest	53,500		53,500
Internal balances	37,729	(37,729)	-
Due to other governments	100,663		100,663
Noncurrent liabilities:			
Due within one year	212,617		212,617
Due in more than one year	4,531,250		4,531,250
Total liabilities	\$ 5,061,076	\$ (15,989)	\$ 5,045,087
Net assets:			
Invested in capital assets, net of related debt	1,375,532	311,737	1,687,269
Restricted for:			
Major and local roads	43		43
Debt service	1,724,357		1,724,357
Building code enforcement	3,436		3,436
Capital projects	758		758
Unrestricted	75,500	191,917	267,417
Total net assets	\$ 3,179,626	\$ 503,654	\$ 3,683,280
Total liabilities and net assets	\$ 8,240,702	\$ 487,665	\$ 8,728,367

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 199,889	\$ 2,137	\$ 9,977	\$
Public safety.	420,153	49,790	5,000	
Public works	143,749	18,863	61,506	290,050
Community and economic development	440			
Recreation and culture	38,274	20,758		
Interest on long term debt	222,466			
Total governmental activities.	\$ 1,024,971	\$ 91,548	\$ 76,483	\$ 290,050
Business-type activity:				
Sewer.	125,357	103,118		
Total primary government	\$ 1,150,328	\$ 194,666	\$ 76,483	\$ 290,050

General revenues:

Property taxes	
State shared revenues	
Unrestricted investment income	
Franchise fees	
Miscellaneous	
Special item - sale of fixed assets	

Total general revenues and special items

Changes in net assets

Net assets - July 1, 2003 (restated)

Net assets - June 30, 2004

The attached notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activity	Total
\$ (187,775)	\$ -	\$ (187,775)
(365,363)		(365,363)
226,670		226,670
(440)		(440)
(17,516)		(17,516)
(222,466)		(222,466)
<u>\$ (566,890)</u>	<u>\$ -</u>	<u>\$ (566,890)</u>
	(22,239)	(22,239)
\$ (566,890)	\$ (22,239)	\$ (589,129)
756,105		756,105
85,487		85,487
90,573	2,878	93,451
9,432		9,432
31,338		31,338
10,029		10,029
<u>\$ 982,964</u>	<u>\$ 2,878</u>	<u>\$ 985,842</u>
\$ 416,074	\$ (19,361)	\$ 396,713
2,763,552	523,015	3,286,567
<u>\$ 3,179,626</u>	<u>\$ 503,654</u>	<u>\$ 3,683,280</u>

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2004

	General	Major Road Fund	Local Road Fund	Water Debt Fund
ASSETS				
Cash and cash equivalents	\$ 120,592	\$ 11,796	\$ 2,698	\$ 48,345
Receivables:				
Taxes	7,186			
Interest	5			
Special assessments				277,861
Other	13,669			
Due from other funds	35,683			
Due from other governments	21,452	6,907	2,625	
Prepaid expenses	26,398			
Total assets	<u>\$ 224,985</u>	<u>\$ 18,703</u>	<u>\$ 5,323</u>	<u>\$ 326,206</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 33,258			
Deposits	8,121			
Deferred revenue				277,861
Due to other funds	18,100	18,697	5,286	
Due to other governments	100,663			
Total liabilities	\$ 160,142	\$ 18,697	\$ 5,286	\$ 277,861
Fund balances:				
Reserved for:				
Debt service				48,345
Prepaid expenses	26,398			
Building code enforcement	3,436			
Unreserved, reported in:				
General Fund	35,009			
Special Revenue Funds		6	37	
Capital Project Funds				
Total fund balances	<u>\$ 64,843</u>	<u>\$ 6</u>	<u>\$ 37</u>	<u>\$ 48,345</u>
Total liabilities and fund balances	<u>\$ 224,985</u>	<u>\$ 18,703</u>	<u>\$ 5,323</u>	<u>\$ 326,206</u>

The attached notes are an integral part of the financial statements.

SAD 1,2 & 4 2002 Bond Retirement Fund	SAD 3 2003 Bond Retirement Fund	SAD 1,2 & 4 Construction Fund	2003 Special Assessment Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 175,053	\$ 164,356	\$ 248	\$ 13,981	\$ 40,185	\$ 577,254
					7,186
					5
546,616	552,590				1,377,067
		500		46,391	60,560
7,416	2,932	42,699	31,000	79,300	199,030
			41,638		72,622
					26,398
<u>\$ 729,085</u>	<u>\$ 719,878</u>	<u>\$ 43,447</u>	<u>\$ 86,619</u>	<u>\$ 165,876</u>	<u>\$ 2,320,122</u>
			\$ 83,938	\$	\$ 117,196
					8,121
546,616	552,590				1,377,067
541		43,165	2,391	148,368	236,548
					100,663
<u>\$ 547,157</u>	<u>\$ 552,590</u>	<u>\$ 43,165</u>	<u>\$ 86,329</u>	<u>\$ 148,368</u>	<u>\$ 1,839,595</u>
181,928	167,288			3,229	400,790
					26,398
					3,436
					35,009
				14,093	14,136
		282	290	186	758
<u>\$ 181,928</u>	<u>\$ 167,288</u>	<u>\$ 282</u>	<u>\$ 290</u>	<u>\$ 17,508</u>	<u>\$ 480,527</u>
<u>\$ 729,085</u>	<u>\$ 719,878</u>	<u>\$ 43,447</u>	<u>\$ 86,619</u>	<u>\$ 165,876</u>	<u>\$ 2,320,122</u>

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2004

Total governmental fund balances. \$ 480,527

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources, and are not reported in the governmental funds:

Governmental capital assets	\$6,397,818	
Less accumulated depreciation	(278,419)	6,119,399

Special assessments are expected to be collected over several
years, and are not available to pay for current year
expenditures. 1,377,067

Long-term liabilities are not due and payable in the current
period and are not reported in the funds including related
accrued interest. (4,797,367)

Net assets of governmental activities	\$ 3,179,626
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JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	General	Major Road Fund	Local Road Fund	Water Debt Fund
Revenues:				
Taxes	\$ 556,508	\$	\$	\$
Licenses and permits	30,206			
Federal sources	14,977			
State sources	88,593	42,953	15,447	
Local sources	2,137			
Charges for services	18,863			
Fines and forfeitures	29,016			
Interest and rents	5,257	162	54	22,291
Other	41,367			26,008
Total revenues	\$ 786,924	\$ 43,115	\$ 15,501	\$ 48,299
Expenditures:				
Current:				
General government	182,147			
Public safety	392,348			
Public works	50,195	50,872	29,750	
Community and economic development	440			
Recreation and culture	34,648			
Other	36,898			
Capital outlay	110,344			
Debt service:				
Principal payments				30,000
Interest and fiscal charges	35			17,717
Total expenditures	\$ 807,055	\$ 50,872	\$ 29,750	\$ 47,717
Excess of revenues over (under) expenditures	\$ (20,131)	\$ (7,757)	\$ (14,249)	\$ 582
Other financing sources (uses):				
Proceeds from borrowings	108,867			
Operating transfers in		7,700	14,200	
Operating transfers out	(40,000)			
Total other financing sources (uses)	\$ 68,867	\$ 7,700	\$ 14,200	\$ -
Excess of revenues and other sources over (under) expenditures and other uses	\$ 48,736	\$ (57)	\$ (49)	\$ 582
Fund balance - July 1, 2003	16,107	63	86	47,763
Fund balance - June 30, 2004	\$ 64,843	\$ 6	\$ 37	\$ 48,345

The attached notes are an integral part of the financial statements.

SAD 1,2 & 4 2002 Bond Retirement Fund	SAD 3 2003 Bond Retirement Fund	SAD 1,2 & 4 Construction Fund	2003 Special Assessment Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$	\$	\$ 199,597	\$ 756,105
					30,206
					14,977
					146,993
					2,137
				4,803	23,666
					29,016
27,754	33,129	595	964		90,206
125,111	86,941	7,274	236,383	62,713	585,797
\$ 152,865	\$ 120,070	\$ 7,869	\$ 237,347	\$ 267,113	\$ 1,679,103
					182,147
					392,348
					130,817
					440
				2,286	36,934
					36,898
		944,275	758,352	4,204	1,817,175
60,000	30,000			50,000	170,000
27,876	32,689			146,149	224,466
\$ 87,876	\$ 62,689	\$ 944,275	\$ 758,352	\$ 202,639	\$ 2,991,225
\$ 64,989	\$ 57,381	\$ (936,406)	\$ (521,005)	\$ 64,474	\$ (1,312,122)
					108,867
		1,069,435	31,000	340,904	1,463,239
		(197,000)	(95,604)	(1,130,635)	(1,463,239)
\$ -	\$ -	\$ 872,435	\$ (64,604)	\$ (789,731)	\$ 108,867
\$ 64,989	\$ 57,381	\$ (63,971)	\$ (585,609)	\$ (725,257)	\$ (1,203,255)
116,939	109,907	64,253	585,899	742,765	1,683,782
\$ 181,928	\$ 167,288	\$ 282	\$ 290	\$ 17,508	\$ 480,527

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Net change in fund balances - total governmental fund. \$ (1,203,255)

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Expenditures for capital assets	\$1,823,837	
Less current year depreciation	(29,583)	1,794,254

Special assessment revenues are recorded in the statement of
activities when the assessment is set; they are not reported
in the funds until collected or collectible within 60 days
of year end. (238,058)

Bond issuance is not reported as financing sources on the
statement of activities. (108,867)

Accrued interest is recorded in the statement of activities. 2,000

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it
reduces long-term debt). 170,000

Change in net assets of governmental activities.	\$	<u>416,074</u>
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JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

June 30, 2004

Business-type
Activity
Sewer
Fund

ASSETS

Current assets:

Cash and cash equivalents	\$ 135,093
Receivables:	
Customers	16,350
Special assessments	24,241
Due from other funds	41,346
Prepaid expenses	<u>244</u>

Total current assets	\$ 217,274
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Noncurrent assets:

Capital assets, net	<u>311,737</u>
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Total assets	<u><u>\$ 529,011</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 21,740
Due to other funds	<u>3,617</u>

Total current liabilities	\$ 25,357
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Net assets:

Unrestricted	<u>503,654</u>
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Total liabilities and net assets	<u><u>\$ 529,011</u></u>
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JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

For the Year Ended June 30, 2004

	Business-type Activity Sewer Fund
Operating revenue:	
Sewer usage charges	\$ 100,820
Late fees and miscellaneous	2,298
Total operating revenue	\$ 103,118
Operating expenses:	
Contractual services	90,893
Administrative salaries	3,023
Postage and supplies	176
Insurance	1,315
Miscellaneous	366
Depreciation	29,584
Total operating expenses	\$ 125,357
Operating income (loss)	\$ (22,239)
Nonoperating revenues:	
Interest income	2,878
Total nonoperating revenues	\$ 2,878
Change in net assets	\$ (19,361)
Net assets - July 1, 2003	523,015
Net assets - June 30, 2004	\$ 503,654

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

For the Year Ended June 30, 2004

	Business-type Activity Sewer Fund
Cash flows from operating activities:	
Receipts from customers	\$ 110,654
Payments to suppliers	(93,954)
Net cash provided (used) by operating activities.	\$ 16,700
Cash flows from capital and related financing activities:	
Purchase of capital assets.	(1,595)
Cash flows from investing activities:	
Interest income	2,878
Net increase (decrease) in cash and cash equivalents.	\$ 17,983
Cash and cash equivalents - July 1, 2003.	117,110
Cash and cash equivalents - June 30, 2004	\$ 135,093
Reconciliation of operating income (loss) to net cash provide (used) by operating activities:	
Operating income (loss)	\$ (22,239)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation and amortization	29,584
Changes in assets and liabilities:	
(Increase) decrease in receivables.	7,536
(Increase) decrease in prepaids	896
Increase (decrease) in accounts payable	317
Increase (decrease) in due to other funds	606
	\$ 9,355
Net cash provided (used) by operating activities.	\$ 16,700

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2004

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 5,701
Total assets	<u>\$ 5,701</u>
LIABILITIES	
Accounts payable and other liabilities	\$ 5,490
Due to other funds	<u>211</u>
Total liabilities	<u>\$ 5,701</u>

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of the Village of Clarkston (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of the Village of Clarkston.

Reporting Entity

The City of the Village of Clarkston is governed by an elected seven-member Council. The accompanying financial statements present the Village and its component units, entities for which the City is considered to be financially accountable.

Government-Wide and Fund Financial Statements

During the year the City adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

June 30, 2004

NOTE A - Summary of Significant Accounting Policies (continued)

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Governmental Funds:

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be account for in another fund.

Major Road Fund

The Major Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "major roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Local Road Fund

The Local Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "local roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Water Debt Fund

The Water Debt fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

SAD 1, 2 and 4 2002 Bond Retirement Fund

The SAD 1, 2 and 4 2002 Bond Retirement Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

SAD 3 2003 Bond Retirement Fund

The SAD 3 2003 Bond Retirement Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

SAD 1, 2 and 4 2004 Construction Fund

The SAD 1, 2 and 4 2004 Construction Fund is a capital project fund used to account for financial resources such as proceeds of bond issues and other revenue necessary for the purpose of constructing the City's water system.

2003 Special Assessment Construction Fund

The 2003 Special Assessment Construction Fund is a capital project fund used to account for financial resources such as proceeds of bond issues and other revenue necessary for the purpose of constructing the City's water system.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

June 30, 2004

NOTE A - Summary of Significant Accounting Policies (continued)Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Funds and Trust Funds).

Proprietary Fund

The City reports the following major proprietary fund:

Sewer Fund

The Sewer Fund accounts for the operation, maintenance and distribution of the sewage system.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Sewer Fund relates to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Taxes

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1, at which time penalties and interest are assessed.

The 2003 taxable valuation of the City, assessed as of December 31, 2002, totaled \$41,033,325, and is used for the July 1, 2003 tax bills; this resulted in property tax revenue as follows:

	<u>Mills Levied</u>	<u>Property Taxes</u>
General operations	13.5147	\$554,548
Debt service	4.8894	\$199,597

Assets, Liabilities, and Net Assets or EquityCash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in mutual funds.

For purposes of the Statement of Cash Flows, the City considered cash deposits and certificates of deposits with a maturity of three months or less when purchased to be cash equivalents.

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

June 30, 2004

NOTE A - Summary of Significant Accounting Policies (continued)Capital Assets

Capital assets, which include land, buildings, building improvements, vehicles, furniture, machinery and equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of year than most capital assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets.

Depreciation of all exhaustible fixed assets used by propriety fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Land Improvements	15-30
Sewer System	40
Buildings and Improvements	30-50
Vehicles	6
Machinery and Equipment, Furniture	5-25

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and net of any deferred charges on bond refundings. Issuance costs are reported as deferred charges.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE B - Accounting and Reporting ChangesGASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. The City of the Village of Clarkston has applied the provisions of this statement in the accompanying financial statements (including the notes to financial statements). The City has elected to implement the general provisions of the statement in the current year, but did not elect to retroactively report infrastructure. Certain significant changes in the statement include the following:

1. A management's discussion and analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
2. Financial statements prepared using full accrual accounting for all of the City's activities.
3. A change in the fund financial statements to focus on the major funds.
4. The governmental activities column includes bonds and other long-term obligations totaling \$4,743,867 previously reported in the General Long-Term Debt Account Group.

NOTE C - Stewardship, Compliance, and AccountabilityBudgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Clerk has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Clerk can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of the Village of Clarkston incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

Fund	Activity	Budget Appropriation	Actual Expenditure	Budget Variance
General	City hall and grounds	\$ 102,005	\$ 104,701	\$ 2,696
General	Other general services administration activities	19,700	21,920	2,220
General	Fire protection	135,410	140,955	5,545
General	Capital outlay	2,000	110,344	108,344
General	Operating transfers out		40,000	40,000
Major Road	Equipment rental		4,621	4,621
Major Road	Winter maintenance	2,000	10,665	8,665
Local Road	Equipment rental		2,887	2,887
Local Road	Winter maintenance	2,000	7,701	5,701

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE D - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer keeps a list of approved banks. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, repurchase agreements, investment pools organized under the local government investment pool act, commercial paper rated within the two highest classifications, and bankers' acceptance of United States banks, but not the remainder of State statutory authority as listed above.

The City's deposits and investments are in accordance with statutory authority and the investment policy of the City. At the end of the year, the carrying amount of the City's deposits were \$697,743 (reconciled), the unreconciled bank balance was \$720,911, of the deposits \$417,620 was covered by federal depository insurance. Cash deposits are not collateralized.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

During the period of tax collection (July-February), cash deposits held by the City may significantly exceed the amounts as of the balance sheet date.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 577,254	\$ 135,093	\$ 712,347

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 697,743
Investments in Securities, Mutual Funds and Similar Vehicles	14,494
Petty Cash and Cash on Hand	110
Total	\$ 712,347

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Investments are categorized into these categories of credit risk:

1. Insured or registered, or securities held by the Village or its agent in the City's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department of agent but not in the City's name.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE D - Deposits and Investments (continued)

At year-end, the government's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary Government:				
U.S. Government Securities	\$	\$	\$	\$
Commercial Paper				
Repurchase Agreements				
Subtotal	\$	\$	\$	\$
Investment Not Subject to Categorization:				
Mutual Funds - Governmental Cash Investment Fund				14,494
Total Primary Government				\$ 14,494

The mutual funds are not categorized because they are not evidenced by securities that are in physical or book entry form. Management believes that the investments of the City comply with the investment authority as noted above, and the investment policy of the City.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE E - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 4,097,993	\$ 1,706,831	\$	\$ 5,804,824
Capital assets being depreciated:				
Building and improvements	74,204			74,204
Land improvements	89,068			89,068
Vehicles	55,642	5,704		61,346
Machinery and equipment	255,045	111,302	35,730	330,617
Furniture and fixtures	37,759			37,759
Subtotal	\$ 511,718	\$ 117,006	\$ 35,730	\$ 592,994
Less accumulated depreciation for:				
Building and improvements	36,507	1,509		38,016
Land improvements	64,767	2,386		67,153
Vehicles	30,576	6,326		36,902
Machinery and equipment	130,686	16,487	35,730	111,443
Furniture and fixtures	22,030	2,875		24,905
Subtotal	\$ 284,566	\$ 29,583	\$ 35,730	\$ 278,419
Net capital assets being depreciated	\$ 227,152	\$ 87,423	\$	\$ 314,575
Net capital assets - governmental activities	\$ 4,325,145	\$ 1,794,254	\$	\$ 6,119,399
Business-type activities:				
Capital assets being depreciated:				
Sewer system	\$ 1,177,272	\$	\$	\$ 1,177,272
Machinery and equipment	3,770	1,595		5,365
Subtotal	\$ 1,181,042	\$ 1,595	\$	\$ 1,182,637
Less accumulated depreciation for:				
Sewer system	837,671	29,432		867,103
Machinery and equipment	3,645	152		3,797
Subtotal	\$ 841,316	\$ 29,584	\$	\$ 870,900
Net capital assets - governmental activities	\$ 339,726	\$ (27,989)	\$	\$ 311,737

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 4,844
Public safety	8,085
Public works	12,879
Recreation and culture	3,775
Total governmental activities	\$29,583
Business-type activities:	
Sewer	\$29,584

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE F - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2004:

Receivable Fund	Payable Fund	Amount
General Fund	Major Street Fund	\$ 18,697
	Local Street Fund	5,286
	Water Construction Fund	123
	SAD 1, 2 & 4 Construction Fund	7,749
	Sewer Fund	3,617
	Tax Fund	211
	Total General Fund	\$ 35,683
Debt Service Funds:		
SAD 1, 2 & 4 2002 Bond Retirement Fund	SAD 1, 2 & 4 Construction Fund	4,416
	2002C GO Debt Retirement Fund	1,000
	2002B GO Debt Retirement Fund	2,000
SAD 3 2003 Bond Retirement Fund	2003 Special Assessment Construction Fund	2,391
	SAD 1, 2 and 4 Bond Retirement Fund	541
	Total Debt Service Funds	\$ 10,348
Capital Project Funds:		
SAD 1, 2 and 4 Construction Fund	2002C GO Debt Retirement Fund	4,554
	2002 A & B Bond Construction Fund	38,145
2002 A & B Bond Construction Fund	General Fund	18,100
	Water construction Fund	55,700
	2002 GO Unlimited Bond Construction Fund	5,500
2003 Special Assessment Construction Fund	SAD 1, 2 & 4 Construction Fund	31,000
		\$152,999
Enterprise Fund	2002 A & B Bond Construction Fund	41,347
	Total interfund receivable	\$240,377

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

	General Fund	Water Construction Fund	SAD 1, 2 & 4 Bond Construction Fund	2002 GO Unlimited Bond Construction Fund	2002 A & B Bond Construction Fund	2003 Special Assessment Construction Fund
Transfers In						
Major Road Fund	\$ 7,700	\$	\$	\$	\$	\$
Local Road Fund	14,200					
2002 A & B Construction Fund	18,100	55,700	166,000	5,500		95,604
SAD 1, 2 & 4 Construction Fund				200,200	869,235	
2003 Special Assessment Construction Fund			31,000			
	\$40,000	\$ 55,700	\$ 197,000	\$ 205,700	\$ 869,235	\$ 95,604

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE G - Long-Term Debt:

The following is a summary of general long-term debt transactions of the City for the year ended June 30, 2004:

	<u>General Long-Term Debt</u>			<u>Equipment Contract</u>
	<u>Total</u>	<u>General Obligation</u>	<u>Special Assessment</u>	
Long-term debt at July 1, 2003	\$4,805,000	\$3,300,000	\$1,505,000	\$
Long-term debt initiated during the year	108,867			108,867
Payments made during the year	<u>(170,000)</u>	<u>(80,000)</u>	<u>(90,000)</u>	
Long-term debt at June 30, 2004	<u>\$4,743,867</u>	<u>\$3,220,000</u>	<u>\$1,415,000</u>	<u>\$ 108,867</u>

Bonds - On July 14, 2000 the City sold \$800,000 Unlimited Tax General Obligation Bonds for the purpose of constructing a water supply system. The bonds bear interest at a rate of 4.75% to 6.00%. Schedule of required principal and interest payments is as follows:

<u>Year ended June 30,</u>	<u>Annual Interest</u>	<u>Annual Principal</u>
2005	\$ 43,058	\$ 15,000
2006	42,304	15,000
2007	41,415	20,000
2008	40,390	20,000
2009	39,355	20,000
2010	38,310	20,000
2011	37,255	20,000
2012	36,056	25,000
2013	34,706	25,000
2014	32,776	45,000
2015	30,115	50,000
2016	27,135	55,000
2017	23,555	70,000
2018	19,513	70,000
2019	15,435	70,000
2020	11,175	75,000
2021	6,731	75,000
2022	<u>2,250</u>	<u>75,000</u>
	<u>\$521,534</u>	<u>\$ 765,000</u>

On October 17, 2000 the City sold \$400,000 Special Assessments Limited Tax Bonds for the construction of water improvements. The bonds bear interest at a rate of 4.60% to 7.60%. Schedule of required principal and interest payments is as follows:

<u>Year ended June 30,</u>	<u>Annual Interest</u>	<u>Annual Principal</u>
2005	\$ 15,830	\$ 30,000
2006	14,442	30,000
2007	13,040	30,000
2008	11,623	30,000
2009	10,190	30,000
2010	8,735	30,000
2011	7,250	30,000
2012	5,862	25,000
2013	4,581	25,000
2014	3,288	25,000
2015	1,981	25,000
2016	<u>662</u>	<u>25,000</u>
	<u>\$ 97,484</u>	<u>\$ 335,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE G - (Continued):

On March 18, 2002 the City sold \$995,000 of 2002 General Obligation Unlimited Tax Bonds, Series A, for the construction of water improvements. The bonds bear interest of 4.00% to 7.00%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2005	\$ 45,805	\$ 10,000
2006	45,095	15,000
2007	44,270	15,000
2008	43,265	30,000
2009	42,065	30,000
2010	40,865	30,000
2011	39,556	35,000
2012	38,018	40,000
2013	36,231	45,000
2014	34,175	50,000
2015	31,838	55,000
2016	29,335	55,000
2017	26,660	60,000
2018	23,625	65,000
2019	20,250	70,000
2020	16,750	70,000
2021	13,125	75,000
2022	9,375	75,000
2023	5,625	75,000
2024	1,875	75,000
	<u>\$587,803</u>	<u>\$ 975,000</u>

On June 3, 2002 the City sold \$995,000 of 2002 General Obligation Unlimited Tax Bonds, Series B, for the construction of water improvements. The bonds bear interest of 4.00% to 7.00%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2005	\$ 43,935	\$ 25,000
2006	42,935	25,000
2007	41,835	30,000
2008	40,635	30,000
2009	39,435	30,000
2010	38,135	35,000
2011	36,709	35,000
2012	35,123	40,000
2013	33,382	40,000
2014	31,490	45,000
2015	29,443	45,000
2016	27,232	50,000
2017	24,845	50,000
2018	22,258	55,000
2019	19,507	55,000
2020	16,633	60,000
2021	13,475	65,000
2022	9,997	70,000
2023	6,209	75,000
2024	2,120	80,000
	<u>\$555,333</u>	<u>\$ 940,000</u>

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE G - (Continued):

On October 9, 2002 the City sold \$210,000 of 2002C General Obligation Unlimited Tax Bonds for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.75% to 6.75%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2005	\$ 9,026	\$ 5,000
2006	8,689	5,000
2007	8,351	5,000
2008	8,089	5,000
2009	7,901	5,000
2010	7,617	10,000
2011	7,238	10,000
2012	6,852	10,000
2013	6,463	10,000
2014	6,073	10,000
2015	5,678	10,000
2016	5,270	10,000
2017	4,850	10,000
2018	4,420	10,000
2019	3,980	10,000
2020	3,416	15,000
2021	2,726	15,000
2022	2,025	15,000
2023	1,316	15,000
2024	480	20,000
	<u>\$101,460</u>	<u>\$ 205,000</u>

On October 9, 2002 the City sold \$815,000 of Special Assessment Limited Tax Bonds, for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.00% to 4.25%. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Annual Interest	Annual Principal
2005	\$ 25,525	\$ 60,000
2006	23,725	60,000
2007	21,925	60,000
2008	20,125	60,000
2009	18,235	60,000
2010	16,255	60,000
2011	14,185	60,000
2012	12,025	50,000
2013	10,150	50,000
2014	8,200	50,000
2015	6,200	50,000
2016	4,200	50,000
2017	2,125	50,000
	<u>\$182,875</u>	<u>\$ 720,000</u>

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE G - (Continued):

On January 6, 2002 the City sold \$725,000 of Special Assessment Limited Tax Bonds, for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.00% to 4.65%. Schedule of required principal and interest payments is as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Annual</u> <u>Interest</u>	<u>Annual</u> <u>Principal</u>
2005	\$ 26,885	\$ 60,000
2006	25,010	60,000
2007	23,060	60,000
2008	21,020	55,000
2009	19,095	55,000
2010	17,315	55,000
2011	15,025	50,000
2012	13,075	50,000
2013	11,075	50,000
2014	8,950	50,000
2015	6,825	50,000
2016	4,575	50,000
2017	2,325	50,000
	<u>\$194,235</u>	<u>\$ 695,000</u>

On April 5, 2004 the City entered into a purchase agreement for a wheel loader for \$108,867. The purchase is being financed over a five year period. Annual payment of \$24,066 is required beginning November 5, 2004. Interest is being charged at 4%. Schedule of required principal and interest payments is as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Annual</u> <u>Interest</u>	<u>Annual</u> <u>Principal</u>
2005	\$ 2,553	\$ 21,513
2006	3,494	20,572
2007	2,672	21,394
2008	1,816	22,250
2009	928	23,138
	<u>\$ 11,463</u>	<u>\$ 108,867</u>

The annual requirements to amortize all debt outstanding as of June 30, 2004, including interest payments of \$2,261,187 are as follows:

<u>Year ended</u> <u>June 30,</u>	<u>Annual</u> <u>Interest</u>	<u>Annual</u> <u>Principal</u>
2005	\$ 226,513	\$ 212,617
2006	230,572	205,694
2007	241,394	196,568
2008	252,250	186,963
2009	253,138	177,204
2010-2014	1,240,000	733,001
2015-2119	1,275,000	423,837
2012-2024	1,025,000	125,303
	<u>\$4,743,867</u>	<u>\$2,261,187</u>

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE H - Lease Obligation:

Effective January 1, 2001, the City entered into an agreement to lease facilities in Clarkston, Michigan at a total monthly rental of \$2,000.00, exclusive of maintenance and increases in taxes and insurance, which are also payable by the City as lessee. This is a five year lease set to expire December 31, 2005. For the year ended June 30, 2004, the City paid \$24,000 on this lease.

The future minimum rental payments required are as follows:

<u>June 30,</u>	<u>Amount</u>
2005	\$ 24,000
2006	<u>12,000</u>
	<u>\$ 36,000</u>

NOTE I - Pending Litigation:

Litigation is currently pending against the City involving various issues. The outcome of these cases cannot be presently determined, however, it is not expected that an adverse decision would exceed insurance coverage. Accordingly, no provision has been made for any potential liability with regard to these lawsuits.

NOTE J - The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for storage tank and health care. The City participates in the Michigan Municipal Liability and Property Pool for general, auto, professional, public official, employee dishonesty and errors and omissions liabilities. The City also participates in the Michigan Municipal Workers Compensation Fund for workers compensation. The City is uninsured for acts of God and environmental cleanup losses. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Liability and Property Pool risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE K - Building Code Enforcement:

Public Act 245 of 1999 requires that fees generated from regulation of the construction code may only be used for that purpose. Current year revenues and expenditures are as follows:

Accumulated revenues over (under) expenditures - July 1, 2003		\$ (958)
Revenue - fees		\$20,441
Expenditures:		
Inspector fees	\$14,427	
Supplies	<u>1,620</u>	
Total expenditures		<u>16,047</u>
Excess of revenues over expenditures		<u>4,394</u>
Accumulated revenues over expenditures - June 30, 2004		<u>\$3,436</u>

Accumulated revenues over expenditures at June 30, 2004 have been recorded as reserved fund balance.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE L - Segment Information for Enterprise Fund:

The City maintains one Enterprise Fund which provides sewer services. Segment information for the year ended June 30, 2004 was as follows:

	<u>Sewer Fund</u>
Operating revenue	\$103,118
Operating income (loss)	(22,239)
Nonoperating revenue	2,878
Net income (loss)	(19,361)
Land, building, equipment:	
Depreciation	29,584
Net working capital	167,676
Total assets	529,011
Total equity	503,654

NOTE M - Water Systems:

The City is in the process of constructing a water system and repaving roads within certain parts of the City. A construction contract in progress is expected to cost approximately \$3,100,000 and is being financed through bond proceeds and user charges. Construction costs on this contract to June 30, 2004 are approximately \$3,085,000. Additionally, engineering and other costs have been and will be incurred. Upon completion, Independence Township will operate and maintain this water system.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget: Favorable (Unfavorable)
Revenues:				
Taxes:				
Current tax.	\$ 554,601	\$ 554,547	554,548	1
Interest and penalty	1,000	1,025	1,960	935
	<u>\$ 555,601</u>	<u>\$ 555,572</u>	<u>\$ 556,508</u>	<u>\$ 936</u>
Licenses and permits:				
Building	12,500	20,630	20,774	144
Cable T.V. franchise	8,000	8,000	9,432	1,432
	<u>\$ 20,500</u>	<u>\$ 28,630</u>	<u>\$ 30,206</u>	<u>\$ 1,576</u>
Federal sources:				
Community development block grant.	2,500	9,975	9,977	2
Police grants.			5,000	5,000
	<u>\$ 2,500</u>	<u>\$ 9,975</u>	<u>\$ 14,977</u>	<u>\$ 5,002</u>
State sources:				
State revenue sharing.	94,125	84,612	83,942	(670)
Metro Authority.		3,100	3,106	6
Liquor licenses.	1,300	1,540	1,545	5
Other.	700			
	<u>\$ 96,125</u>	<u>\$ 89,252</u>	<u>\$ 88,593</u>	<u>\$ (659)</u>
Local sources:				
Other.	2,000	2,048	2,137	89
Charges for services:				
Reimbursement of expenses from other funds:				
Equipment rental - Major and Local Road Funds.			18,863	18,863
Fines and forfeitures - ordinance fines.	13,500	29,000	29,016	16
Interest and rents:				
Interest earnings.	750	500	821	321
Rents.	2,000	4,015	4,436	421
	<u>\$ 2,750</u>	<u>\$ 4,515</u>	<u>\$ 5,257</u>	<u>\$ 742</u>
Other:				
Sale of assets			10,029	10,029
Contributions.			2,205	2,205
Miscellaneous.	7,500	22,114	29,133	7,019
	<u>\$ 7,500</u>	<u>\$ 22,114</u>	<u>\$ 41,367</u>	<u>\$ 19,253</u>
Total revenues	\$ 700,476	\$ 741,106	\$ 786,924	\$ 45,818

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget: Favorable (Unfavorable)
Expenditures:				
General government:				
Legislative:				
City council:				
Council salaries	\$ 7,000	\$ 7,000	\$ 6,750	\$ 250
Dues	2,200	3,000	2,929	71
Other	5,675	7,705	7,561	144
	<u>\$ 14,875</u>	<u>\$ 17,705</u>	<u>\$ 17,240</u>	<u>\$ 465</u>
Elections:				
Fees	500	500	457	43
Supplies	300	750	705	45
Legal notices	200	200	264	(64)
	<u>\$ 1,000</u>	<u>\$ 1,450</u>	<u>\$ 1,426</u>	<u>\$ 24</u>
Assessing	8,000	7,860	7,858	2
Board of review	300	300	300	
Clerk:				
Salary	2,500	2,500	2,519	(19)
Other	2,200	2,400	2,719	(319)
	<u>\$ 4,700</u>	<u>\$ 4,900</u>	<u>\$ 5,238</u>	<u>\$ (338)</u>
Treasurer:				
Salary	11,500	11,500	11,588	(88)
Supplies	600	400	588	(188)
Tax roll	1,200	800	1,085	(285)
Bonds and insurance	400	225	226	(1)
	<u>\$ 13,700</u>	<u>\$ 12,925</u>	<u>\$ 13,487</u>	<u>\$ (562)</u>
City Hall and grounds:				
Wages	52,300	58,300	61,288	(2,988)
Office supplies	5,000	5,000	5,478	(478)
Supplies	8,500	7,000	7,061	(61)
Equipment	1,800	3,500	3,487	13
Parking lot	1,600	3,000	2,923	77
Engineering	2,500	1,000	364	636
Telephone	3,500	2,700	2,769	(69)
Insurance	15,100	15,410	15,397	13
Utilities	3,350	4,115	4,353	(238)
Building maintenance	1,500	1,000	711	289
Equipment maintenance	800	300	204	96
Sidewalk maintenance		50	35	15
Miscellaneous	630	630	631	(1)
	<u>\$ 96,580</u>	<u>\$ 102,005</u>	<u>\$ 104,701</u>	<u>\$ (2,696)</u>
Community development block grant	\$ 2,500	\$ 10,000	\$ 9,977	\$ 23

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget: Favorable (Unfavorable)
Other general services administration activities:				
Audit expense	8,000	7,500	10,538	(3,038)
Legal fees	15,000	12,000	11,081	919
Miscellaneous	100	200	301	(101)
	<u>\$ 23,100</u>	<u>\$ 19,700</u>	<u>\$ 21,920</u>	<u>\$ (2,220)</u>
Total general government	\$ 164,755	\$ 176,845	\$ 182,147	\$ (5,302)
Public safety:				
Police department:				
Salaries and wages	120,985	134,630	129,438	5,192
Payroll taxes	10,400	11,450	10,892	558
Insurance and medical	2,738	2,538	2,532	6
Supplies	1,500	2,000	2,121	(121)
Telephone	9,000	9,000	8,624	376
Legal fees	10,000	17,000	18,230	(1,230)
Vehicle and equipment maintenance	17,032	3,500	7,571	(4,071)
Contractual services	27,525	27,510	27,942	(432)
Gas and oil	3,200	3,500	3,537	(37)
Insurance	12,200	14,275	14,260	15
Dispatch	4,200	4,200	4,200	-
Equipment rental	3,350	3,350	4,020	(670)
Uniforms and cleaning	500			
Miscellaneous	4,820	2,070	1,979	91
	<u>\$ 227,450</u>	<u>\$ 235,023</u>	<u>\$ 235,346</u>	<u>\$ (323)</u>
Fire protection	135,475	135,410	140,955	(5,545)
Building inspector	12,000	19,000	16,047	2,953
Total public safety	\$ 374,925	\$ 389,433	\$ 392,348	\$ (2,915)
Public works:				
Highway and streets:				
Gas and oil	2,750	2,200	2,701	(501)
Maintenance and repair - vehicles	5,750	7,440	8,879	(1,439)
Insurance - vehicles	4,000	3,650	3,651	
	<u>\$ 12,500</u>	<u>\$ 13,290</u>	<u>\$ 15,231</u>	<u>\$ (1,940)</u>
Street lighting	10,550	24,220	18,000	6,220
Refuge collection	500	425	425	-
Tree trimming, tree planting and leaf pickup	5,800	7,540	7,474	66
Other public works activities:				
Office supplies	1,500	100		100
Telephone	1,750	1,400	1,546	(146)
Utilities	3,500	4,200	4,295	(95)
Building supplies	1,500	1,500	1,516	(16)
Building maintenance	1,500	1,500	1,708	(208)
	<u>\$ 9,750</u>	<u>\$ 8,700</u>	<u>\$ 9,065</u>	<u>\$ (365)</u>
Total public works	\$ 39,100	\$ 54,175	\$ 50,195	\$ 3,981

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Community and economic development:				
Planning	2,500	750	440	310
Recreation and culture:				
Contractual services - Library	33,840	33,853	34,648	(795)
Other functions:				
Lease	24,000	24,000	24,000	-
Payroll taxes	5,750	7,250	8,064	(814)
Workers compensation insurance	3,795	3,850	3,834	16
Youth assistance	1,000	1,000	1,000	-
Total other	\$ 34,545	\$ 36,100	\$ 36,898	\$ (798)
Capital outlay:				
Police equipment	1,000		1,424	(1,424)
Highways and streets	2,000	2,000	108,920	(106,920)
Total capital outlay	\$ 3,000	\$ 2,000	\$ 110,344	\$ (108,344)
Debt service:				
Principal payments	5,000			
Interest	25	25	35	(10)
Total debt service	\$ 5,025	\$ 25	\$ 35	\$ (10)
Total expenditures	\$ 657,690	\$ 693,181	\$ 807,055	\$ (113,873)
Excess of revenues over (under) expenditures	\$ 42,786	\$ 47,925	\$ (20,131)	\$ (68,055)
Other financing sources (uses):				
Proceeds from borrowings			108,867	108,867
Transfer to 2002A&B Bond Construction Fund			(18,100)	(18,100)
Transfer to Major Street Fund			(7,700)	(7,700)
Transfer to Local Street Fund			(14,200)	(14,200)
Total other financing sources (uses)	\$	\$	\$ 68,867	\$ 68,867
Excess of revenues and other sources over (under) expenditures and other uses	\$ 42,786	\$ 47,925	\$ 48,736	\$ 812
Fund balance - July 1, 2003	16,107	16,107	16,107	
Fund balance - June 30, 2004	\$ 58,893	\$ 64,032	\$ 64,843	\$ 812

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State source	\$ 42,150	\$ 42,950	\$ 42,953	\$ 3
Interest	250	150	162	12
Total revenues	\$ 42,400	\$ 43,100	\$ 43,115	\$ 15
Expenditures:				
Salaries	20,000	22,000	22,094	(94)
Payroll taxes	1,600	1,700	1,691	9
Insurance	2,000	2,400	1,704	696
Tools and miscellaneous	2,000	3,500	3,258	242
Supplies	3,500	4,900	3,603	1,297
Traffic services	2,000	2,800	3,236	(436)
Equipment rental			4,621	(4,621)
Winter maintenance	3,000	2,000	10,665	(8,665)
Total expenditures	\$ 34,100	\$ 39,300	\$ 50,872	\$ (11,572)
Excess of revenues over (under) expenditures	\$ 8,300	\$ 3,800	\$ (7,757)	\$ (11,557)
Other financing sources (uses):				
Operating transfers in			7,700	7,700
Operating transfer out	(8,300)	(3,000)		3,000
Total other financing sources (uses)	\$ (8,300)	\$ (3,000)	\$ 7,700	\$ 10,700
Excess of revenues and other sources over (under) expenditures and other uses	\$ -	\$ 800	\$ (57)	\$ (857)
Fund balance - July 1, 2003	63	63	63	
Fund balance - June 30, 2004	\$ 63	\$ 863	\$ 6	\$ (857)

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State sources	\$ 12,750	\$ 15,240	\$ 15,447	\$ 207
Interest	50	52	54	2
Total revenues	\$ 12,800	\$ 15,292	\$ 15,501	\$ 209
Expenditures:				
Salaries	12,000	12,000	11,897	103
Payroll taxes	1,000	1,000	911	89
Insurance	1,100	1,250	917	333
Tools and miscellaneous	1,500	1,900	897	1,003
Supplies	2,300	2,700	2,797	(97)
Traffic service	1,200	1,550	1,743	(193)
Equipment rental			2,887	(2,887)
Winter maintenance	2,000	2,000	7,701	(5,701)
Total expenditures	\$ 21,100	\$ 22,400	\$ 29,750	\$ (7,350)
Excess of revenues over (under) expenditures	\$ (8,300)	\$ (7,108)	\$ (14,249)	\$ (7,141)
Other financing sources:				
Operating transfers in	8,300	7,200	14,200	7,000
Excess of revenues and other sources over (under) expenditures	\$ -	\$ 92	\$ (49)	\$ (141)
Fund balance - July 1, 2003	86	86	86	
Fund balance - June 30, 2004	\$ 86	\$ 178	\$ 37	\$ (141)

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 14,093	\$ 10,783	\$ 15,309	\$ 40,185
Accounts receivable			46,391	46,391
Due from other funds			79,300	79,300
Total assets	<u>\$ 14,093</u>	<u>\$ 10,783</u>	<u>\$ 141,000</u>	<u>\$ 165,876</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$	\$ 7,554	\$ 140,814	\$ 148,368
Fund balances:				
Reserved for:				
Debt service		3,229		3,229
Unreserved	14,093		186	14,279
Total fund balances	<u>\$ 14,093</u>	<u>\$ 3,229</u>	<u>\$ 186</u>	<u>\$ 17,508</u>
Total liabilities and fund balances	<u>\$ 14,093</u>	<u>\$ 10,783</u>	<u>\$ 141,000</u>	<u>\$ 165,876</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
June 30, 2004

	Mill Pond Lake Improvement Board	Total
ASSETS		
Cash and cash equivalents	\$ 14,093	\$ 14,093
LIABILITIES AND FUND BALANCES		
Fund balances - unreserved.	\$ 14,093	\$ 14,093

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
June 30, 2004

	Debt Service Fund	2002A GO Debt Retirement Fund	2002B GO Debt Retirement Fund	2002C GO Debt Retirement Fund	Total
ASSETS					
Cash and cash equivalents	\$ 3,934	\$ 2,771	\$ 3,297	\$ 781	\$ 10,783
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$	\$	\$ 2,000	5,554	\$ 7,554
Fund balances:					
Reserved for debt service	3,934	2,771	1,297	(4,773)	3,229
Total liabilities and fund balances . . .	\$ 3,934	\$ 2,771	\$ 3,297	\$ 781	\$ 10,783

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
June 30, 2004

	Water Construction Fund	2002A&B Bond Construction Fund	2002 GO Unlimited Bond Construction Fund	Total
ASSETS				
Cash and cash equivalents	\$ 9,476	\$ 250	\$ 5,583	\$ 15,309
Accounts receivable	46,391			46,391
Due from other funds		79,300		79,300
Total assets	<u>\$ 55,867</u>	<u>\$ 79,550</u>	<u>\$ 5,583</u>	<u>\$ 141,000</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 55,823	\$ 79,491	\$ 5,500	\$ 140,814
Fund balances:				
Reserved for capital improvements	44	59	83	186
Total liabilities and fund balances	<u>\$ 55,867</u>	<u>\$ 79,550</u>	<u>\$ 5,583</u>	<u>\$ 141,000</u>

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$	\$ 199,597	\$	\$ 199,597
Interest	57	896	3,850	4,803
Other	16,322		46,391	62,713
Total revenues	\$ 16,379	\$ 200,493	\$ 50,241	\$ 267,113
Expenditures:				
Current:				
Recreation and culture	2,286			2,286
Capital outlay			4,204	4,204
Debt service:				
Principal payments		50,000		50,000
Interest and fiscal charges		146,149		146,149
Total expenditures	\$ 2,286	\$ 196,149	\$ 4,204	\$ 202,639
Excess of revenues over (under) expenditures	\$ 14,093	\$ 4,344	\$ 46,037	\$ 64,474
Other financing sources (uses):				
Operating transfers in			340,904	340,904
Operating transfers out			(1,130,635)	(1,130,635)
Total other financing sources (uses)	\$	\$	\$ (789,731)	\$ (789,731)
Excess of revenues and other sources over (under) expenditures and other uses	\$ 14,093	\$ 4,344	\$ (743,694)	\$ (725,257)
Fund balance - July 1, 2003		(1,115)	743,880	742,765
Fund balance - June 30, 2004	\$ 14,093	\$ 3,229	\$ 186	\$ 17,508

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 SPECIAL REVENUE FUNDS
 NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Mill Pond Lake Improvement Board	Total
Revenues:		
Interest	\$ 57	\$ 57
Other - special assessments	16,322	16,322
Total revenues	\$ 16,379	\$ 16,379
Expenditures:		
Current:		
Recreation and culture	2,286	2,286
Total expenditures	\$ 2,286	\$ 2,286
Excess of revenues over expenditures	\$ 14,093	\$ 14,093
Fund balance - July 1, 2003		
Fund balance - June 30, 2004	\$ 14,093	\$ 14,093

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 DEBT SERVICE FUNDS
 NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Debt Service Fund	2002A GO Debt Retirement Fund	2002B GO Debt Retirement Fund	2002C GO Debt Retirement Fund	Total
Revenues:					
Taxes	\$ 55,002	\$ 57,835	\$ 72,042	\$ 14,718	\$ 199,597
Interest and penalties	313	200	332	51	896
Total revenues	\$ 55,315	\$ 58,035	\$ 72,374	\$ 14,769	\$ 200,493
Expenditures:					
Debt service:					
Principal payments	10,000	10,000	25,000	5,000	50,000
Interest and fiscal charges	43,955	46,800	45,655	9,739	146,149
Total expenditures	\$ 53,955	\$ 56,800	\$ 70,655	\$ 14,739	\$ 196,149
Excess of revenues over expenditures	\$ 1,360	\$ 1,235	\$ 1,719	\$ 30	\$ 4,344
Fund balance - July 1, 2003	2,574	1,536	(422)	(4,803)	(1,115)
Fund balance - June 30, 2004	\$ 3,934	\$ 2,771	\$ 1,297	\$ (4,773)	\$ 3,229

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 CAPITAL PROJECT FUNDS
 NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Water Construction Fund	2002A&B Bond Construction Fund	2002 GO Unlimited Bond Construction Fund	Total
Revenues:				
Interest	\$ 4	\$ 3,846	\$	\$ 3,850
Other - reimbursements	46,391			46,391
Total revenues	\$ 46,395	\$ 3,846	\$	\$ 50,241
Expenditures:				
Capital outlay	1,046	3,141	17	4,204
Excess of revenues over (under) expenditures . . .	\$ 45,349	\$ 705	\$ (17)	\$ 46,037
Other financing sources (uses):				
Operating transfers in		340,904		340,904
Operating transfers out	(55,700)	(869,235)	(205,700)	(1,130,635)
Total other financing sources (uses)	\$ (55,700)	\$ (528,331)	\$ (205,700)	\$ (789,731)
Excess of revenues and other sources over (under) expenditures and other uses	\$ (10,351)	\$ (527,626)	\$ (205,717)	\$ (743,694)
Fund balance - July 1, 2003	10,395	527,685	205,800	743,880
Fund balance - June 30, 2004	\$ 44	\$ 59	\$ 83	\$ 186

JANZ & KNIGHT, P.L.C. CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

300 EAST LONG LAKE ROAD, SUITE 360
BLOOMFIELD HILLS, MICHIGAN 48304-2377

FREDERICK C. JANZ
ROBERT I. KNIGHT
KENNETH E. ZINK
JOHN M. FOSTER

JOHN W. MACKEY
MICHAEL V. HIGGINS
JOHN E. MIELKE, JR.
DAWN M. LENGERS
MATTHEW S. PEARCE
JOSHUA J. LYNN
R. JOSHUA GIRTH

TELEPHONE (248) 646-9666

FACSIMILE (248) 646-3857

50
YEARS
1954-2004

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

June 22, 2005

To the City Council and Management of the
City of the Village of Clarkston

In planning and performing our audit of the general purpose financial statements of City of the Village of Clarkston for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect City of the Village of Clarkston's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

1. Budgets: The adoption of the Michigan Uniform Local Budgeting Act (Act N. 621, Public Acts of 1978), effective for fiscal years beginning after December 31, 1980, has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amount. Expenditures exceeded budgeted amounts in the following areas:

<u>Fund</u>	<u>Activity</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General	City hall and grounds	\$ 102,005	\$ 104,701	\$ 2,696
General	Other general services			
	administration activities	19,700	21,920	2,220
General	Fire protection	135,410	140,955	5,545
General	Capital outlay	2,000	110,344	108,344
General	Operating transfers out		40,000	40,000
Major Road	Equipment rental		4,621	4,621
Major Road	Winter maintenance	2,000	10,665	8,665
Local Road	Equipment rental		2,887	2,887
Local Road	Winter maintenance	2,000	7,701	5,701

We urge the Council to continue to periodically compare budget and actual expenditures and to amend the budget prior to approval of expenditures which will exceed the budget, as required by the Budgeting Act.

2. As recommended in prior years, as additional funds permit office personnel to be hired, further breakdown of duties among available personnel should be considered to improve internal control. Council members or volunteers can also be used to separate certain accounting functions.

To the City Council and Management of the
City of the Village of Clarkston

June 22, 2005
Page Two

This report is intended solely for the information and use of the City Council, management, and others within the administration. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Very truly yours,

Jany & Knight, P.L.C.

Certified Public Accountants

J&K/srz